

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1801 – SB 2380

February 24, 2016

**SUMMARY OF ORIGINAL BILL:** Authorizes local government entities to make inter-fund (internal) loans with funds derived from the sale of any Tennessee private-act hospital. Such loans may not exceed 20 fiscal years and shall be approved by the Comptroller of the Treasury or the Comptroller's designee.

In each fiscal year after the note is issued, local governments shall retire a portion of the note that is equal to at least one-twentieth of the original principal amount. The local resolution authorizing the use of an inter-fund loan shall direct that the principal of the notes shall either be payable annually or by mandatory redemption. Authorizing resolutions may also state that such notes may be subject to redemption prior to maturity at the option of each local government. Authorizes the Comptroller to waive the periodic retirement requirement when approving inter-fund loans for local governments.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact- A local government entity electing to make an inter-fund loan will experience a permissive increase in interest earnings for the lending fund and a permissive decrease in interest expenditures for the borrowing fund as result of each fund receiving better lending terms than would be given through a loan agreement with an external entity. The permissive impacts for each fund over the life of the loan cannot be reasonably quantified and will be dependent upon each loan's terms.

**SUMMARY OF AMENDMENT (012700):** Adds language to the bill specifying that funds derived from the sale of a private act hospital are not authorized to be expended for any purpose contrary to law or applicable court order.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

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Assumptions for the bill as amended:

- The Comptroller's Office of State and Local Finance is currently responsible for the review and approval of inter-fund loans for local governments.
- According to the Comptroller, the review and approval of these types of inter-fund loans will be absorbed by current staff and will have no fiscal impact on state government.
- Based on information from the Comptroller's office, because the local government will be borrowing money internally, the lending fund will earn a higher interest rate than if the local government elected to invest proceeds from the sale of a private-act hospital externally. Likewise, the borrowing fund will also pay a lower interest rate than if it had entered into a long-term external borrowing agreement.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj